

UNITED STATES OF AMERICA  
Before The  
OFFICE OF THRIFT SUPERVISION

In the Matter of  
FIRST VIRGIN ISLANDS  
FEDERAL SAVINGS BANK  
Charlotte Amalie,  
St. Thomas, Virgin Islands

Re: No. ATL-95-5

Date: June 9, 1995

STIPULATION AND CONSENT TO THE ENTRY OF AN  
ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision ("the OTS"), based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against First Virgin Islands Federal Savings Bank, Charlotte Amalie, St. Thomas, Virgin Islands, OTS No. 8449 ("FVI" or "Institution"), pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b)<sup>1</sup>, and

WHEREAS, FVI desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding and, without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms:

1. All references to the U.S.C. are as amended.

1. Jurisdiction.

a. FVI is a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C. § 1813(b), and Section 2(4) of the Home Owners' Loan Act, 12 U.S.C. § 1462(4). Accordingly, FVI is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C. § 1813(c).

b. Pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b), the appropriate Federal banking agency may issue a cease and desist order against any insured depository institution that, in its opinion, is engaging or has engaged in unsafe or unsound practices in conducting its business and/or is violating or has violated a rule or regulation.

c. Pursuant to Section 3(q) of the FDIA, 12 U.S.C. § 1813(q), the Director of OTS is the "appropriate Federal banking agency" to maintain an administrative proceeding against such a savings association. Therefore, FVI is subject to the jurisdiction of the OTS to initiate and maintain an administrative proceeding against it pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b).

2. OTS Findings of Fact. The OTS finds that:

a. The OTS' 1994 Reports of Examination of FVI ("the 1994 Reports") disclosed inadequate allowances for loan and lease losses ("ALLs"), no significant progress in correcting asset quality problems, high operating expenses, and continued marginal earnings. Further, the 1994 Reports disclosed certain deficient loan underwriting practices, deficient operating

policies and procedures, and violations of 12 C.F.R. § 563.43, regarding loans by savings associations to their executive officers, directors, and principal shareholders.

b. The 1994 Reports also identified a number of regulatory violations that occurred throughout the examination review period, including the origination of loans in special flood hazard areas without the required flood hazard insurance, erroneous Adjustable Rate Mortgage loan adjustment notices, inaccurate Truth in Lending disclosure statements, and Management's failure to correct deficiencies detected by the Institution's Internal Auditor, Compliance Officer, and/or Quality Control Manager.

3. Consent.

FVI consents to the issuance by the OTS of the accompanying Order to Cease and Desist ("Order"). It further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality.

The Order is issued under Section 8(b) of the FDIA, 12 U.S.C. § 1818(b). Upon its issuance by the Regional Director for the Southeast Region of the OTS, or his designee, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C. § 1818(i).

5. Waivers.

a. FVI waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order.

b. FVI acknowledges and agrees that its consent to the entry of the Order is for the purpose of resolving this OTS enforcement matter only (dealing with the above-described deficiencies noted in the 1994 Reports), and does not resolve, affect or preclude any other administrative, civil or criminal proceeding that may be or has been brought by the OTS or another governmental entity.

6. Signature of Directors. Each Director signing this Stipulation attests that he or she voted in favor of a resolution authorizing the execution of the Stipulation.


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WHEREFORE, FVI, by a majority of its Directors, executes this Stipulation and Consent to the Entry of an Order to Cease and Desist, intending to be legally bound hereby.

FIRST VIRGIN ISLANDS  
FEDERAL SAVINGS ASSOCIATION,  
by a majority of its Directors:

Accepted by:  
OFFICE OF THRIFT SUPERVISION


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Leo T. Barbel, Jr.

  
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Richard M. Riccobono  
Acting Regional Director  
Southeast Region

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~~Lefts L. Mobile, Jr.~~  
LEFFERTS L. MABIE,

Date: ~~5-30-95~~ June 9, 1995

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James E. Crites

  
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Magadalene M. Bryan

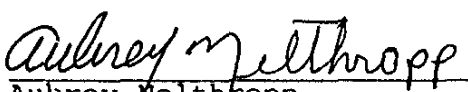
  
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Albert C. Graf

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M. Charlene Henderson

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Norris Joseph

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Francis E. McLaughlin

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Henry A. Millin

  
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Aubrey Melthropp


First Virgin Islands Federal Savings Bank  
Charlotte Amalie, St. Thomas, U.S. Virgin Islands (#8449)  
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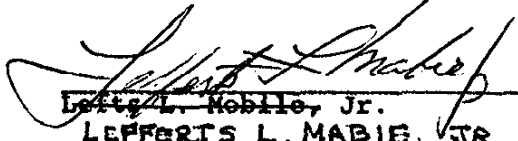
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Acting Regional Director  
Southeast Region

  
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Lefferts L. Mabie, Jr.  
LEFFERTS L. MABIE, JR.

Date: June 9, 1995

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Aubrey Nelthropp

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FIRST VIRGIN ISLANDS  
FEDERAL SAVINGS BANK

Charlotte Amalie,  
St. Thomas, Virgin Islands

Re: No. ATL-95-5

Date: June 9, 1995

ORDER TO CEASE AND DESIST

WHEREAS, First Virgin Islands Federal Savings Bank, Charlotte Amalie, St. Thomas, Virgin Islands, OTS Docket No. 8449 ("FVI" or "Institution"), by and through its Board of Directors ("the Board"), has executed a Stipulation and Consent to The Entry of an Order to Cease and Desist ("Stipulation"), without admitting or denying that grounds exist for the issuance of an Order to Cease and Desist ("Order"); and

WHEREAS, FVI, in the Stipulation, has consented and agreed to the issuance of this Order pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b)<sup>1</sup>; and

WHEREAS, the Director of the Office of Thrift Supervision ("the OTS") has delegated to the Regional Directors of the OTS the authority to issue an Order to Cease and Desist on behalf of the OTS where a savings association has consented to the issuance of the Order.

1. All references to the U.S.C. are as amended.



NOW THEREFORE, IT IS ORDERED THAT FVI and its directors, officers, employees, agents, service corporations and subsidiaries shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or the aiding and abetting of any unsafe or unsound practice or any violation of:

1. Section 563.170(c) of the OTS Regulations, 12 C.F.R. § 563.170(c) (regarding establishment and maintenance of records),
2. Section 563.43 of the OTS Regulations, 12 C.F.R. § 563.43 (regarding loans to executive officers, directors and principal shareholders),
3. Section 563.48 of the OTS Regulations, 12 C.F.R. § 563.48 (regarding flood disaster protection),
4. Section 563.99(c) of the OTS Regulations, 12 C.F.R. § 563.99(c) (regarding adjustment notices for Adjustable Rate Mortgage loans),
5. Section 226.23 of the Federal Reserve System Regulations, 12 C.F.R. § 226.23 (regarding a consumer's right of rescission), and
6. Section 563.160 of the OTS Regulations, 12 C.F.R. § 563.160 (regarding establishing and maintaining prudent valuation allowances).

IT IS FURTHER ORDERED THAT:

7. Termination of Prior Cease and Desist Order.

As of the Effective Date of this Order, the March 27, 1992 Order to Cease and Desist issued by the OTS to FVI is terminated.

8. Valuation Allowances.

Within 60 days of the Effective Date of this Order, the Board of Directors shall develop, adopt, and implement policies and procedures for the establishment and maintenance of valuation allowances in accordance with the provisions of 12 C.F.R. § 563.160, as well as the guidelines set forth in Section 261 of the OTS' Regulatory Handbook on Thrift Activities and the December 21, 1993 Interagency Policy Statement on the Allowance for Loan and Lease Losses.

9. Business Plan.

Within 60 days of the Effective Date of this Order, the Board shall develop, adopt, implement, and submit to the Regional Director, the first of a series of three one year business plans that cover the fiscal years 1995, 1996, and 1997. The 1996 and 1997 business plans shall be developed and adopted at least 60 days prior to the first day of the respective fiscal year to which they apply. Each business plan shall detail the Institution's operating strategy for the fiscal year it covers, including pro forma financial statements and relevant assumptions for the period covered in the plan. Each plan shall include specific details about the Institution's strategies to reduce operating expenses and improve earnings. The Board shall review and document the Institution's compliance with the plan at least once each calendar quarter.

10. Plan for Classified Assets.

Within 60 days of the Effective Date of this Order, the Board of Directors of FVI ("the Board") shall develop; adopt, implement and thereafter adhere to a written plan to reduce the level of assets classified substandard and/or doubtful ("Classified Assets").

a. At a minimum, the plan shall cover FVI's fiscal year 1995, and shall require FVI to meet the following Target Time Frames and Target Ratios for Classified Assets to Tier 1 (core) capital plus allowances for loan and lease losses, unless the Institution receives a written notice of exemption issued by the Regional Director prior to the time frame established below:

<u>Target Time Frame</u>	<u>Target Ratio</u>
by June 30, 1995	at or below 130%
by September 30, 1995	at or below 95%
by December 31, 1995	at or below 90%

b. The plan also shall include specific individual action plans to be implemented by the Institution, including target time frames and goals, to reduce the risk of loss on each of its Classified Assets having a book value in excess of \$100,000.

c. At least once each calendar quarter during the term of the plan to reduce Classified Assets, the Board shall review Management's progress in meeting the target goals and time frames contained in the plan, and shall update the plan to

include any additional Classified Assets identified during that quarter. Within 10 Business Days of its review, the Board shall submit to the Regional Director a written summary of the results of each review.

d. In the event that the ratio of FVI's Classified Assets to Tier 1 (core) capital plus allowances for loan and lease losses ("the ratio") exceeds 90% at the end of any calendar quarter after fiscal year 1995, and within 30 calendar days of the end of any such calendar quarter, the Board shall adopt, implement and submit to the Regional Director, a written plan to reduce the ratio to below 90% as soon as possible, but no later than the end of the second quarter following the quarter during which the ratio exceeded 90%.

11. Audit Procedures.

Within 30 days of the Effective Date of this Order, the Board of Directors shall develop, adopt, implement and thereafter adhere to procedures that require the Institution's Internal Auditor, Compliance Officer, and/or Quality Control Manager to submit detailed reports at least quarterly concerning the Institution's compliance with (i) applicable laws and regulations, (ii) the Institution's internal policies, procedures, and plans, and (iii) this Order, to a Committee of the Board that shall be established for this purpose. This Committee shall be comprised of only outside Directors. The Committee shall recommend to the full Board actions to be taken by Management to correct any problems identified by the Internal Auditor, the Compliance Officer, and/or the Quality

Control Manager and the Board shall directly supervise Management's prompt implementation of appropriate corrective actions.

12. Assessment of Management.

On at least a semi-annual basis, the Board shall assess the performance of Senior Management and the effectiveness of the Institution's overall organizational structure in managing the affairs of the Institution. The Board shall recommend specific corrective actions as needed, and establish time frames within which Senior Management shall implement such corrective actions. The Board also shall establish the goals and objectives by which it will measure Senior Management's performance. The Board's assessment of and recommendations concerning Senior Management shall be documented in the minutes of its meetings on at least a semi-annual basis.

13. Growth Limitations.

a. Restriction.

Without the prior written approval of the Regional Director, FVI shall not increase its total assets in any calendar quarter in excess of an amount equal to net interest credited on deposit liabilities during the quarter.

b. Exception.

Notwithstanding the Restriction contained in Paragraph <sup>13a</sup>~~12a~~ above, total assets may increase beyond the aforementioned restriction, in an amount not to exceed \$1.5 million at the end of each calendar quarter, provided (i) such increase is attributable to loans secured by 1-4 family residential real

estate, (ii) such loans have been closed and delivered for sale to the appropriate purchasing entity, (iii) prior to delivery to the purchasing entity, such loans have been designated on FVI's books, and accounted for, as held for sale in the secondary market, and (iv) payment for such loans is received by FVI no later than 45 days after the end of the calendar quarter during which the loans are sold, except for government insured or guaranteed insured or guaranteed loans (e.g., FHA, VA, Farmers' Home Administration), which must be received no later than 80 days after the end of the appropriate calendar quarter. Provided further that the Regional Director may revoke this Exception in writing if, in his sole discretion, he determines that the Institution has not exercised this privilege in good faith. The determination that FVI has not exercised this privilege in good faith may be based on the Institution's excessive reliance on the Exception to avoid compliance with the Restriction contained in Paragraph <sup>13a RTB</sup>~~12a~~ above, and/or a violation of any provision of this Paragraph <sup>13</sup>~~12~~. Any revocation of the Exception by the Regional Director will be applied prospectively and not retroactively in determining any violation of the terms and conditions of the Restriction.

c. The Institution shall maintain documentation supporting its compliance with the provisions of this Paragraph 13.

14. Credit Cards.

Without the prior written approval of the Regional Director, the Institution shall not issue or authorize any new credit card lines of credit, nor shall it increase any existing lines of credit for any existing, pre-approved credit cards.

15. Director Responsibility.

Notwithstanding the requirements of this Order that the Board submit various matters to the Regional Director for the purpose of receiving his approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Institution at all times, including compliance with the determinations of the Regional Director as required by this Order.

16. Compliance with Order.

The Board of FVI shall take immediate action to cause the Institution to comply with the terms of this Order and shall take all actions necessary or appropriate thereafter to cause the Institution to comply with the provisions of this Order.

17. Definitions.

All technical words or terms used in this Order for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda. Any such technical words or terms used in this Order and undefined in

said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best usage in the thrift industry.

18. Governing Law.

The construction and validity of this Order shall be governed by the laws of the United States of America.

19. Successor Statutes, Regulations, Guidance, Amendments.

Reference in this Order to provisions of statutes, regulations, and OTS Memorandum shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

20. Notices.

a. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Order to be made upon, given or furnished to, delivered to, or filed with:

(1) the OTS by the Institution, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Director, Southeast Region, Office of Thrift Supervision, 1475 Peachtree Street, N.E., Atlanta, Georgia, 30309, or telecopied to (404)888-5634 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.



(2) the Institution by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered, in each case addressed to the Institution at First Virgin Islands, FSB, 50 Kronprindsens Gade, St. Thomas, U.S. Virgin Islands, 00803-5468, or telecopied to (809)776-3447 and confirmed by first class mail, postage prepaid, overnight deliver service or physically delivered, in each case to the above address.

b. Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery, if by physical delivery. If there is a dispute about the date on which a written notice has been received by a party to this Order, then, in the event such notice was sent by the United States mail, there shall be a presumption that the notice was received five Business Days after the date of the postmark on the envelope in which the notice was enclosed.

21. Duration, Termination or Suspension of Order.

a. This Order shall: (i) become effective on the date it is issued by the OTS, through its Regional Director for the Southeast Region, as shown in the caption on the first page thereof ("Effective Date"), and (ii) remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).

b. The Regional Director in his or her sole

discretion, may, by written notice, suspend any or all provisions of this Order.

22. Time Limits.

Time limitations for compliance with the terms of this Order run from the Effective Date, unless otherwise noted.

23. Effect of Headings.

The Section headings herein are for convenience only, and shall not affect the construction hereof.

24. Separability Clause.

In the event that any provision of this Order is declared invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

25. No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted.

Nothing in this Order shall be construed as: (i) allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject, or (ii) restricting or estopping the OTS from taking any action(s) affecting the Institution that it believes are appropriate in fulfilling the responsibilities placed upon it by the several laws of the United States of America.

26. Successors in Interest/Benefit.

The terms and provisions of this Order shall be binding upon, and inure to the benefit of, the parties hereto and their

respective successors in interest. Nothing in this Order, express or implied, shall give to any person or entity, other than the parties hereto, the Resolution Trust Corporation, and the Federal Deposit Insurance Corporation and their respective successors hereunder, any benefit or any legal or equitable right, remedy, or claim under this Order.

27. Miscellaneous.

a. All references to the OTS in this Order shall also mean any of the OTS' predecessors, successors, and assigns.

b. The terms of this Order represent the final written agreement of the parties with respect to the subject matters hereof, and constitute the sole agreement of the parties with respect to such subject matters.

28. Stipulation.

The Stipulation is made a part hereof and is incorporated herein by this reference.

THE OFFICE OF THRIFT SUPERVISION

By:

  
Richard M. Riccobono  
Acting Regional Director  
Southeast Region